

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC PIPELINE SYSTEM LLC (U PLC-18) for Authorization Pursuant to Public Utilities Code Sections 454 and 455.3, to Increase the Rates and Charges for Crude Oil Transportation Services on Its Line 63 System, Effective November 1, 2013.

Application 13-10-002
(Filed October 1, 2013)

DECISION GRANTING RATE INCREASE APPLICATION**Summary**

We approve the application of Pacific Pipeline System LLC for authority to increase its rates for transportation crude oil by 9.95% effective November 1, 2013.

Background

Pacific Pipeline System LLC (Pacific Pipeline) seeks approval to increase its rates and charges for transportation of crude oil on its California pipeline system by 9.95% effective November 1, 2013. Pursuant to Pub. Util. Code § 455.3, oil pipeline corporations like Pacific Pipeline may increase pipeline transportation rates upon 30 days' notice to the California Public Utilities Commission (Commission) and prior to Commission approval, provided that the proposed increase does not exceed 10% per 12-month period. Section 455.3 further provides the Commission with authority to suspend any such rate increase and use of the increased rate for a period of time not to exceed 30 days from expiration of the 30-day notice of increase provided by the oil pipeline

corporation. Finally, § 455.3 allows the Commission to subsequently evaluate the reasonableness of any rate increase affected prior to Commission approval, to disallow any portion of the rate increase that is ultimately deemed unreasonable, and to require refund of that portion of the increase found to be unreasonable.

Simultaneously with this application, Chevron Pipeline filed Advice Letter No. 39 raising its crude oil transportation rates by 9.95% pursuant to § 455.3 effective November 1, 2013.

Discussion

There are no protests to the Application.

Since an increase of up 10% increase in rates is authorized by § 455.3 and has already been put into effect via an advice letter filing, Pacific Pipeline's sole burden in this Application is to provide evidentiary support for the increase. In the Application and Exhibits, Pacific Pipeline provides evidence to demonstrate that without a rate increase its Overall Rate of Return and Return on Equity on its Line 63 system will fall to 4.61% and 3.71%, respectively, for the period January 1, 2014 through December 31, 2014, the test year for this application. These returns are far below the returns earned by other pipeline companies that the Commission has previously found just and reasonable. This evidence is sufficient to satisfy the burden of proof.

Categorization and Need for Hearings

In ALJ Resolution 176-3323 adopted October 3, 2013, the proceeding was preliminarily categorized as ratesetting and it was preliminarily determined that hearings are necessary. We confirm the preliminary categorization and change the hearing determination to "not necessary."

Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

Assignment of Proceeding

Michel Peter Florio is the assigned Commissioner and Karl J. Bemederfer is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. At currently authorized rates, Pacific Pipeline is not achieving a just and reasonable overall rate of return and return on equity on its Line 63 system.
2. A rate increase of 9.95% will permit Pacific Pipeline to achieve a just and reasonable overall rate of return and return on equity on its Line 63 system.
3. Pursuant to the authorization granted by Pub. Util. Code § 455.3, Pacific Pipeline increased its crude oil transportation rates on its Line 63 system by 9.95% subject to refund on November 1, 2013.
4. Pacific Pipeline gave timely notice of the November 1, 2013 rate increase to shippers on its Line 63 system and simultaneously filed Advice Letter No. 39 containing the new rates with the Commission.
5. There are no protests to the application.

Conclusions of Law

1. Pacific Pipeline is an oil pipeline corporation as that term is defined in Pub. Util. Code § 455.3.
2. Oil pipeline corporations are authorized by § 455.3 of the Pub. Util. Code to increase transportation rates by up to 10% per 12-month period, subject to Commission review for reasonableness and potential refund to customers.

3. A rate increase of 9.95% is necessary in order to permit Pacific Pipeline to achieve a just and reasonable overall rate of return and return on equity on its Line 63 system.

4. Hearings are not necessary.

5. The application should be approved.

O R D E R

IT IS ORDERED that:

1. The application of Pacific Pipeline System LLC to increase its rates and charges for transportation of crude oil on its Line 63 system by 9.95% effective November 1, 2013, is approved.

2. The hearing determination is changed to no hearings necessary.

3. This order is effective immediately.

4. Application 13-10-002 is closed.

This order is effective today.

Dated _____, at San Francisco, California.